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CIVIL AERONAUTICS BOARD

A reduction in financial and statistical reporting requirements contained in the CAB Form 41 Report was the subject of a recent notice of proposed rulemaking from the Board (see the 12/24/80 Fed. Reg., pp. 85064-75). This proposal would eliminate 10 schedules from Form 41 reporting, including schedules B-7(a) on reinvestment of flight equipment capital gains, P-3.1 transportation revenue, and P-5.1 aircraft operating expenses. Revenue boundaries used to group certified carriers for reporting purposes would be revised under the proposal based on revenues for the year ending 12/31/79. This would be the first such revision since 1975. Under the revised schedule, the annual revenue boundaries would rise from $25 million to $75 million for small carriers and from $75 million to $200 million for medium-sized carriers. No carrier would have its reporting burden increased under the scheme. Comments are requested by 2/23/81. For additional information contact Clifford Rand at 202/673-6042.

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

A proposal which seeks to facilitate the use of time deposits for retirement savings and encourage the increased use of IRA/Keogh plans to encourage retirement savings has been issued by the Committee (see the 12/24/80 Fed. Reg., pp. 85057-59). The proposed rules would: enable time deposits held in IRA and Keogh plans to accommodate routine additions more conveniently; reduce the three-year maturity of the special IRA/Keogh deposit category to one year; increase, revise or eliminate the current 8% ceiling rate of interest payable on the special IRA/Keogh deposit category; and, create a new IRA/Keogh time deposit with a minumum required maturity of 14 days and no prescribed ceiling rate of interest. Comments are requested by 3/20/81. For additional information contact Anthony Cole at 202/452-3612. Additionally, the Committee has adopted a rule that provides that where a time deposit held in an IRA/Keogh plan is paid before maturity within seven days of the establishment of the plan, the minimum required early withdrawal penalty is the forfeiture only of the interest earned on the time deposit (see the 12/24/80 Fed. Reg., pp. 84987-88). The rule is effective as of 12/15/80. For additional information contact Debra Chong at 202/447-1632.

In a related matter, the Committee is considering amending the penalty for early withdrawals of time deposit funds to permit penalty-free withdrawal in the event of bankruptcy of the depositor (see the 12/24/80 Fed. Reg., pp. 85056-57). Comments are requested by 2/16/81. For additional information contact Anthony Cole at 202/452-3612.

HEALTH AND HUMAN SERVICES, DEPARTMENT OF

State Medicaid agencies will be required to suspend from the Medicaid program physicians and other practitioners who have been convicted of offenses against the program, according to proposed regulations from HHS' Health Care Financing Administration (press release HHS-K54). States would also be required to exclude health care providers who defraud or abuse the Medicaid program. The proposed regulations would clarify and strengthen state Medicaid agency fraud and abuse detection and investigation requirements and give the states authority to pursue appropriate remedies against fraud and abuse. The proposal provides that state Medicaid agencies must: exclude health care providers from Medicaid program reimbursement based on a determination by the agency that acts of fraud have been committed; suspend from program participation a health care practitioner who is convicted of a Medicaid program offense; investigate instances of possible fraud in the program; and, make sure that claim forms and checks used in the program contain statements where the providers acknowledge that they can be prosecuted for certain fraudulent acts. Comments are requested by 2/19/81. For additional information contact John Kittrell at 202/245-8056.

SECURITIES AND EXCHANGE COMMISSION

Regulation A, the small offering exemption from certain registration requirements, is the subject of proposed SEC rulemaking announced on 12/30/80. Regulation A, which may be used by a variety of issuers to raise up to $1.5 million worth of securities during any twelve-month period, has not been substantially revised since 1956 according to the Commission: "Regulation A disclosure schedule requirements have essentially become outdated and do not reflect the type of disclosure actually being included in Regulation A offering circulars." The proposals, according to the SEC, are designed to codify disclosure standards which are currently applied to Regulation A offerings and to provide specific disclosure requirements for different types of issuers and different types of offerings. Comments are requested by 3/23/81. For additional information contact Paul Belvin at 202/272-2644.

Proposed revisions of Regulation S-K and the Guides for the preparation and filing of registration statements and reports were approved for release by the Commission 12/29/80. The proposals would categorize by subject matter all areas of disclosure under the 1933 and 1934 securities acts and expand the regulation by adding uniform disclosure requirements with respect to the distribution of securities. Registration statement forms would also be revised to incorporate by reference such uniform disclosure requirements. The proposal would also eliminate the Guides with the exception of the Guides for registrants in a particular industry and incorporate those into Regulation S-K, Regulation C and the General Rules and Regulations under the Securities Act and the Exchange Act. These changes should enhance the integration of disclosure provisions in Regulation S-K. Comments are requested by 3/6/81. For additional information contact Elizabeth Norsworthy at 202/272-2390.

Elimination of the requirement for inclusion of separate reports of other accountants in annual reports when an examination is made by an independent accountant other than the registrants principal accountant was proposed recently by the Commission. In addition, the Commission is proposing amendments to Schedule 14A (Information Required in Proxy Statement) which would clarify when financial statements may be incorporated by reference from the annual report into a proxy statement and under what circumstances financial statements may be omitted from proxy statements. Adoption of the proposal would result in amendments to Regulation S-X. Comments are requested by 3/15/81. For additional information contact Lawrence Best at 202/272-2130.

TREASURY, DEPARTMENT OF

"Treatment of Certain Interests in Corporations as Stock or Indebtedness" is the subject of IRS T.D. 7747, Final Regulations, a 113 page document released on 12/29/80. Prior to this action, the 3/24/80 Federal Register published proposed amendments to the Income Tax Regulation, primarily section 385, of the IRC of 1954. These amendments were proposed to conform the regulations to the Tax Reform Act of 1969. The IRS, "in response to the many thoughtful and constructive public comments," effected a number of changes. The final regulations are characterized by the IRS as more limited in scope than the proposed regulations, and focus on instruments, proportionality, nominal capital rules, principal shareholder rules, reasonable rate of interest, safe harbors, computing debt-to-equity ratio, locked interests, guaranteed loans, and certain preferred stock. Reporting and recordkeeping requirements, according to the IRS, remain unchanged and impose no new reporting burdens. The regulations generally apply to certain interests in corporations created after 4/30/81, and in a procedure seldom followed with the adoption of final regulations, the "Treasury and the Internal Revenue Service invite additional comments" during the period 12/29/80 and 4/30/81. For additional information contact Jack Levine at 202/566-3458.

Employers in certain states will be subject to higher Federal unemployment taxes for 1980, according to IRS press release IR-80-131. The increase results from a reduction in the credit allowed against this tax for payments made into the unemployment fund of those jurisdictions affected. The states affected and the increases are as follows. Illinois, Maine, New Jersey, Puerto Rico, and the Virgin Islands increase is three-tenths of one percent of the wages subject to Federal unemployment tax paid in 1980. The rate increase is seven-tenths of one percent for Connecticut and six-tenths of one percent for Delaware, the District of Columbia, Pennsylvania, Rhode Island, and Vermont. The Employer's Annual Unemployment Tax Return, Form 940, for 1980 is due 2/2/81. Revenue Procedure 80-60, which explains the credit reduction provisions, is contained in the Internal Revenue Bulletin No. 1980-52, 12/29/80. For additional information contact the IRS Public Affairs Division at 202/566-4024.

For additional information, please contact
Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker
at 202/872-8190.

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